

Message Text

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ACTION SS-15

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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9311

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 13407

FOR THE SECRETARY AND UNDER SECRETARY COOPER

PASS TREASURY FOR SECRETARY BLUMENTHAL AND UNDER
SECRETARY SOLOMAN

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: EMU: PASSIVITY? SKEPTICISM? NEGATIVISM?
HOSTILITY?

1. I WANT TO EXPRESS A WORRY WHICH I KNOW IS NOT
SHARED COMPLETELY BY MY OWN FINANCIAL ATTACHE AND MAY
WELL NOT BE SHARED IN ALL CIRCLES IN WASHINGTON. IT
HAS TO DO WITH THE POLITICAL IN CONTRAST TO THE FINAN-
CIAL AND ECONOMIC ASPECTS OF THE BREMEN INITIATIVE.
2. WHETHER WE WOULD HAVE PLANNED IT THAT WAY, I THINK
THE SCHMIDT-GISCARD INITIATIVE IS VERY IMPORTANT TO
THE MAINTENANCE LET ALONE THE PROGRESS OF EUROPEAN
INTEGRATION. MAYBE IT CANNOT BE MADE TO WORK FOR REASONS
OF TECHNICAL FEASIBILITY. MAYBE IT WON'T WORK BECAUSE
IT CANNOT EMBRACE SUCH DISPARATE ECONOMIES. NEVERTHE-
LESS I THINK IT IS TERRIBLY IMPORTANT THAT WE NOT IN
FACT OR IN APPEARANCE BE NEGATIVE OR OBSTRUCTIONIST. IF
IT FAILS IT SHOULD FAIL BECAUSE IT DOES NOT SUIT THE
EUROPEAN NEEDS OR CANNOT ACCOMMODATE INDISPENSABLE
EUROPEAN INTERESTS. IT SHOULD NOT BE PERCEIVED TO FAIL
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BECAUSE THE AMERICANS ARE NEGATIVE OR EVEN UNENTHUSIAS-
TIC ABOUT THE PRINCIPLE AND THE OBJECTIVE OF GREATER
EUROPEAN MONETARY UNITY.

3. SOME COMMENTATORS, OFFICIALS AND POLITICIANS PROPERLY
WONDER WHETHER WE WOULD WELCOME THE DEVELOPMENT OF A
MAJOR WESTERN CURRENCY OR CURRENCY BASKET WHICH WAS A

RIVAL TO THE DOLLAR AS A WORLD RESERVE CURRENCY. WE ABANDONED THE NOTION THAT IT WAS IN THE INTEREST OF THE U.S. TO KEEP EUROPE ECONOMICALLY WEAK WAY BACK IN THE MARSHALL PLAN DAYS. WE HAVE OPTED FOR A STRONGER, MORE INTEGRATED EUROPE EVER SINCE, KNOWING FULL WELL THAT AS IT BECAME STRONGER IT COULD BE MORE INDEPENDENT TO THE POINT OF TRUCULENCE AND MORE RIVALROUS TO THE POINT OF SERIOUS COMPETITION. THE LATEST REAFFIRMATION OF THIS U.S. INTEREST IN INDEPENDENT EUROPEAN STRENGTH IS THE TWO WAY STREET AND THE LONG TERM DEFENSE PROGRAM. I DO NOT SEE HOW WE COULD FAIL TO SUPPORT SIMILAR DEVELOPMENTS WHICH SOUGHT TO REMOVE INTRA-EUROPEAN EXCHANGE FLUCTUATIONS IF IT CAN BE MADE TO MESH WITH OUR BASIC PRINCIPLES OF INTERNATIONAL FINANCE. I THINK WE HAVE TO BE WILLING TO ASSUME THE RISK OF SOME IMPERFECTIONS, INCLUDING THE DANGERS OF NEW FORMS OF EXTERNAL PRESSURE CAUSED BY A STRONG RIVAL CURRENCY SYSTEM.

4. U.S. OPPOSITION TO A WORKABLE ECU SEEMS TO ME COUNTER TO THE ENTIRE RANGE OF AMERICAN POLICY TOWARDS EUROPE, PAST, PRESENT AND FORESEEABLE FUTURE. I AM ASSUMING THAT THERE IS NO DISAGREEMENT ON THIS. IF THERE IS THEN YOUR EMBASSIES SHOULD BE SO INFORMED.

5. WELL SHORT OF HOSTILITY OR OPPOSITION, THERE ARE ALL KINDS OF VALID REASONS FOR TAKING A WAIT AND SEE POSI-
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TION. THE TROUBLE IS THAT THIS PROPER CAUTION ABOUT A

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C O N F I D E N T I A L SECTION 02 OF 03 LONDON 13407

POSSIBLE PIG IN A POKE CAN EASILY COME ACROSS AS SKEPTICISM AT BEST, NEGATIVISM AT WORST. THIS IS BOUND TO BE SO IF ATTENTION IS FOCUSED EXCLUSIVELY ON UNSOLVED TECHNICAL PROBLEMS AND DIFFICULTIES, AND IF UNITED STATES REPRESENTATION ON THE MATTER IS CONFINED ALMOST EXCLUSIVELY TO THE FINANCIAL AND ECONOMIC ASPECTS, LEAVING LITTLE ROOM FOR THE POLITICAL STAKES AT ISSUE.

6. AT THE VERY LEAST THE DANGER IS THAT ANY IMPLICATION OF AMERICAN HOSTILITY CAN EASILY BE USED BY OPPONENTS OF BREMEN IN EUROPEAN FINANCE MINISTRY AND CENTRAL BANK CIRCLES AS AN EXCUSE FOR THEIR OWN NEGATIVISM. I OF COURSE CANNOT TESTIFY DIRECTLY ON THIS, BUT IT WAS FORCIBLY URGED UPON ME AS A SERIOUS PROBLEM BY ERIC ROLL OF WARBURGS, ROY JENKINS AND ROBERT MARJOLIN AT A RECENT LUNCHEON AT ERIC ROLL'S IN OXFORDSHIRE. IT GAINS SOME CREDENCE FROM EARLIER REPORTS ON REMARKS BY DENNIS HEALEY WAY BACK AT COPENHAGEN AND SOME OCCASIONAL FINANCIAL PAGE REPORTING. THE FACT IS NOT AS IMPORTANT AS THE FEELING. WE SHOULD GO OUT OF OUR WAY TO DISPEL THIS IMPRESSION.

7. APART FROM OBVIOUS ECONOMIC AND FINANCIAL MISGIVINGS, BRITISH ALOOFNESS AND STAND-OFFISHNESS ON AN ECU DEVELOPMENT IS NOT UNRELATED TO THE ANTI-MARKET, ANTI-EUROPE
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SENTIMENT GENERALLY. IT WOULD BE A GREAT MISTAKE AT THIS TIME TO ALLOW OUR SKEPTICAL CAUTION TO BE USED TO FEED THE FLAMES OF BRITISH ECONOMIC CHAUVINISM AND ABDICATION FROM EUROPE.

8. ONE POSSIBLE SCENARIO WOULD SEE THE GERMAN-FRENCH INITIATIVE DOOMED FOR FAILURE ON FEASIBILITY GROUNDS, WHATEVER THE BRITISH POSTURE. MAYBE SO. HOWEVER, BRITISH ALOOFNESS AND PROCRASTINATION WOULD ONLY ASSURE THAT THEY WOULD BE THE SCAPEGOAT IF SCHMIDT AND GISCARD WERE TO FAIL. WE IN TURN WOULD BE THE ULTIMATE SCAPEGOAT TO THE EXTENT THAT THE BRITISH HAD ASSERTED THAT U.S. OPPOSITION WAS THE REASON FOR THEIR LACK OF ENTHUSIASM. ALL THE WAY AROUND THIS SEEMS TO ME A DANGEROUSLY CORROSIVE DEVELOPMENT, PRODUCTIVE OF LASTING RESENTMENTS. IF IT FAILS, THEREFORE, LET IT NOT BE BECAUSE EITHER WE OR THE BRITISH DRAGGED OUR FEET; OR BECAUSE WE DRAGGED THE BRITISH FEET.

9. A SECOND, AND TO MY MIND MORE LIKELY, POSSIBLE
SCENARIO WOULD BE A CONTINENTAL DETERMINATION TO GO
AHEAD WITH OR WITHOUT THE BRITISH.

10. THIS WOULD SEEM TO ME TO HOLD MANY LONGER RUN
POLITICAL PERILS, FIRST AND MOST OBVIOUS WOULD BE NEW
PRESSURE TO RETURN TO AN ECONOMICALLY CHAUVINISTIC
BRITAIN. THIS SEEMS TO ME IS A PRESCRIPTION FOR A
SHRINKING, PROTECTIONIST, LESS AND LESS COMPETITIVE
BRITISH ECONOMY. IT WOULD BE ROME AND MESSINA ALL OVER
AGAIN. THE LARGER REPERCUSSIONS OF A BOOST TO BRITISH
ISOLATIONISM MIGHT WELL SPILL OVER INTO MATTERS OF THE
ALLIANCE AS WELL AS THE MARKET.

11. EVEN IF THIS GLOOM AND DOOM IS NOT JUSTIFIED, AT
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THE VERY LEAST THE FORGING OF A FRANCO-GERMAN MONETARY
CONCERT WITHOUT THE BRITISH WOULD BE BOUND TO DIMINISH
THE BRITISH VOICE IN EUROPEAN POLITICAL AND MILITARY AS
WELL AS ECONOMIC AFFAIRS. I THINK THIS WOULD HAVE
SERIOUS DANGERS FOR UNITED STATES INTEREST.

12. EVEN DURING THIS PAST YEAR IT HAS BEEN CLEAR THAT

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C O N F I D E N T I A L SECTION 03 OF 03 LONDON 13407

BRITAIN HAS BEEN AN INDISPENSABLE BROKER. THEY COULD GAIN UNDERSTANDING AND SYMPATHY FOR UNITED STATES POSITIONS WHEN GISCARD WAS ALIENATING WASHINGTON BY NEWSWEEK INTERVIEWS AND LATER WHEN SCHMIDT WAS CLEARLY TURNED OFF BY AMERICANS. MORE FUNDAMENTAL THAN TRANQUILIZING THESE FESTERS OF PERSONAL PIQUE AND STYLE, HOWEVER, IS THE IMPORTANCE OF BRITAIN AS A FULL EUROPEAN PARTNER IN THE EVENT THAT EITHER GERMANY OR FRANCE BECOME UNRELIABLE FOR REASONS OF POLITICAL INSTABILITY OR OF POLITICAL HOSTILITY. IF IN SUCH A CONTINGENCY BRITAIN WERE TO HAVE BEEN RELEGATED TO THE POSITION OF "OUTSIDER," I THINK OUR INTEREST WOULD BE SERIOUSLY JEOPARDIZED.

13. THESE FEARS MAY BE OVERDRAWN, EITHER BECAUSE THEY WILL NOT EVENTUATE OR BECAUSE THE BREMEN INITIATIVE HAS NEITHER THE HOPE NOR THE PROMISE WHICH WILL MAKE BRITISH PARTICIPATION A REAL ISSUE. HOWEVER, I DO NOT THINK WE SHOULD LOOK UPON THE MATTER AS A PURELY ECONOMIC OR FINANCIAL ONE, LET ALONE A TECHNICAL ONE. AT THE VERY LEAST EVEN IF WE ARE SKEPTICAL WE SHOULD NOT PERMIT OUR SKEPTICISM TO BE USED TO BOLSTER THE ANTI-EUROPEAN BIASES OF SOME IMPORTANT SEGMENTS OF BRITISH POLITICAL, OFFICIAL AND PROFESSIONAL OPINION.
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14. WHAT THEN DO WE DO? HOW DO WE REMOVE IMPLICATIONS OF NEGATIVISM WITHOUT OPENING OURSELVES TO AN ENDORSEMENT OF WHAT AT BEST IS A BLIND DATE. I SUGGEST THAT THE THREE EMBASSIES INVOLVED AS WELL AS THE USEC BE URGED TO MAKE IT CLEAR TO BOTH PRIME MINISTERS AND FINANCE MINISTERS AND THE INQUIRING MEDIA, THAT WHILE WE MAY ALWAYS HAVE RESERVATIONS WHEN AND IF DETAILED PROPOSALS EMERGE, WE ARE IN PRINCIPLE SUPPORTIVE OF INTRA-EUROPEAN EFFORTS TO REMOVE MONETARY OBSTACLES TO MORE EFFECTIVE EUROPEAN ECONOMIC INTEGRATION. MOST PARTICULARLY I BELIEVE WE SHOULD MAKE IT CLEAR THAT WE WOULD NOT WANT ANY PARTY TO THE DISCUSSIONS TO HOLD BACK BECAUSE OF FEARS THAT THE UNITED STATES HARBORS SOME LATENT HOSTILITY TO THE ENDEAVOR LAUNCHED AT BREMEN.

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